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TAGS: [ETTC](#) [MTCRE](#) [KSCA](#) [KNNP](#) [PARM](#) [PREL](#) [CH](#) [GM](#)
SUBJECT: (S) GERMAN INQUIRY - U.S. LICENSING PRACTICES
CONCERNING TECHNOLOGY TRANSFERS TO CHINA

Classified By: EMIN Robert A. Pollard for reasons 1.4
(b) and (d).

¶1. (U) THIS MESSAGE CONTAINS AN ACTION REQUEST. PLEASE SEE
PARA 6.

¶2. (S) MFA Export Control Division Desk Officer Nancy Reck passed Global Affairs Officer January 4 a German-language nonpaper requesting information about U.S. licensing procedures concerning the export to China of technology used to produce isostatic graphite. Reck explained that the German interagency export control working group is considering an application to export equipment for the production of isostatic graphite to a Chinese end-user. The equipment is listed under MTCR guidelines because of its potential use in the production of missiles and combat aircraft. Reck said representatives of the German company - SGL Technologies (please protect) - claim that U.S. companies have received USG permission (presumably a technology-related export license) to produce similar technology in China. Reck said German officials are interested in learning whether the USG does in fact permit such exports and, if so, under what circumstances and conditions.

¶3. (S) Based on a U.S. presentation at the October MTCR Plenary on loopholes in China's export control regime, Reck said, German officials are mindful of the need to take appropriate precautions concerning exports to China in order to prevent diversion of sensitive technology. To that end, German officials are considering attaching special conditions to the export license in this case. Reck said the MFA would appreciate information regarding U.S. licensing practices for the export of graphite production technology to China, including whether U.S. law permits the export of graphite production technology, or whether the USG imposes additional due diligence requirements or special conditions in order to prevent diversion of sensitive technology. If so, German officials would like to know what specific wording the USG uses on export licenses to stipulate the additional requirements.

¶4. (S) While German officials are interested in preventing diversions of technology to entities and countries of concern, the interagency export control working group would prefer not to place undue restrictions on German exporters if the USG does not assess a risk of diversion or if isostatic graphite is already widely available in China. In addition to the information requested above, Reck said Germany would welcome information about the availability of isostatic graphite in China, the extent to which Chinese companies are producing it, and whether the quality of the graphite produced is appropriate for sensitive applications.

¶5. (S) Begin text of informal Embassy translation of German-language nonpaper:

Germany is currently examining export control mechanisms for specific sensitive technologies as well as technologies that can be used to produce listed goods. In connection with this, we are interested in learning how U.S. licensing practices are designed concerning technology transfers to China in the field of graphitization, particularly:

-- for which manufacturing steps in the field of graphitization are technology transfers to China already licensed, particularly concerning technology that is listed in NSG Part 1, Technical Controls, in connection with B 2.2, and in the MTGR under Category 2 Item 6.E.1.

In addition, answers to the following questions would be helpful for us:

-- How does the USG counter the risk of the improper appropriation of technology from finished goods?

-- How does the USG assess the availability of isostatic pressed graphite and the corresponding production technology in China?

-- How does the USG assess the risk of diversion of related technology and its improper use for nuclear- or missile-relevant purposes?

Because these questions relate to a specific pending application and the applicant is pressing for a decision, we would be grateful for a response by January 20, 2008.

End text.

¶6. (SBU) Post requests Department assistance in responding to the German inquiry.

KOENIG